AFIN808

Corporate Finance

S2 Day 2017

Dept of Applied Finance and Actuarial Studies

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General Information

Unit convenor and teaching staff
Unit Convenor
Narelle Gordon
narelle.gordon@mq.edu.au
Contact via narelle.gordon@mq.edu.au
See ilearn

Angela Chow
angela.chow@mq.edu.au

Angela Chow
angela.chow@mq.edu.au

Credit points
4

Prerequisites
ACST603 or AFIN858

Corequisites

Co-badged status

Unit description
The objective of this unit is to explore the theory and application of corporate finance issues at an advanced level, and to equip students with the required depth of knowledge and skill expected of a professional. Following a brief revision of basic financial concepts covered in earlier finance courses, the unit investigates the more complicated theoretical issues and analytical techniques in corporate finance. In particular, a critical approach is adopted which involves identifying the assumptions and limitations of these techniques when applied to the real world. Students are encouraged to understand that often the best method is a matter of debate, and that they must choose a method from a group of methods all of which have various limitations. This critical approach is reinforced by examining a number of real life corporate finance projects.

Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at https://www.mq.edu.au/study/calendar-of-dates

Learning Outcomes

On successful completion of this unit, you will be able to:

To apply investment and financing concepts to business decisions

To evaluate cost of capital, project risks and the financial viability of projects

To evaluate the effect of capital structure on value of firms and projects.

To apply options methodology to value business opportunities and firms.

To apply teamwork skills to attain effective and professional group outcomes

General Assessment Information

Grading Policy: assessment in this unit is informed by the MQ Grading Policy.

Feedback Prior Census Date: A self-assessment online quiz will be released in Week 3 for feedback prior to the census date. The quiz outcome does not form part of the course marks but is as an indicator of whether you are progressing satisfactorily in the unit. If you are having difficulties, please see the Unit Convenor and consider withdrawing before the census date.

Assessment Criteria: Assessment criteria for all assessment tasks will be provided on the unit iLearn site.

Rubric: the *Presentations* will be assessed against criterion and performance standards set out in a marking *Rubric,* which will be provided to students on the iLearn..

Disruption to Study: if your disruption to study is deemed 'Serious and Unavoidable', and thus meets the criteria for Special Consideration set out in the Disruption to Studies Policy, you will receive an additional opportunity to demonstrate that you have met the learning outcomes for this assessment task. Otherwise, there will be no provision of an additional assessment task. For information, including results of disruption e.g. preparation affected' or 'examination performance affected', please refer to the Disruption to Studies Policy Outcomes and Supporting Evidence.

Viewing Within Session Assessment Task Marks: it is the responsibility of students to view their marks for each within session assessment on iLearn within 20 working days of posting. If there are any discrepancies, students must contact the unit convenor immediately. Failure to do so will mean that queries received after the release of final results regarding assessment marks (not including the final exam mark) will not be addressed.

Assessment Tasks

Name	Weighting	Hurdle	Due
Assessed Coursework	5%	No	Random weeks
Presentation	15%	No	Allocated week

Name	Weighting	Hurdle	Due
Class Test	20%	No	Week 7
Final Exam	60%	No	See Exam Timetable

Assessed Coursework

Due: **Random weeks**
Weighting: **5%**

Each collection is worth a maximum of 2.5%. There will be two random collections during the semester. To get full marks students need to add some insight to the standard solution. Students who copy the text-book solution word for word will receive 0 marks.

No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for Disruption to Studies is made and approved

On successful completion you will be able to:

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Presentation

Due: **Allocated week**
Weighting: **15%**

Students will be formed into groups. Each group will be allocated a topic on a key concept or an application of finance. The group will research the topic, prepare a report and present it to the class in 20 minutes (including 5 minutes for discussions) in their allocated week. The report will be a combination of notes and presentation slides. It will be submitted through Turnitin and a hard-copy will be handed-in to the lecturer in the allocated week. The presentation will be graded based on content and delivery: depth of research, relevance of contents to the topic, organisation of ideas and students' ability to give the audience insights - to engage, inspire, persuade, and energise the audience. Every student must participate in the group presentations and report so that individual student contribution to the group presentations and report can be identified. Each member of a group will be required to complete an assessment of the contributions of individual members.

No extensions will be granted. Students who have not submitted the task prior to the deadline will be awarded a mark of 0 for the task, except for cases in which an application for Disruption to Studies is made and approved.

On successful completion you will be able to:

- To apply investment and financing concepts to business decisions
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- To apply teamwork skills to attain effective and professional group outcomes

Class Test

Due: **Week 7**
Weighting: **20%**

The 65-minute "closed book" in-class test will be conducted in the week 7 class. Please present yourself at the enrolled time and place of your lecture. The test will contain both theoretical and calculation questions. A formula sheet will be provided with the test paper. If you are unable to attend the test and your Disruption to Studies request is approved, a supplementary assessment task will be offered. The supplementary assessment task may involve a verbal or written component, or both.

On successful completion you will be able to:

- To apply investment and financing concepts to business decisions
- To evaluate cost of capital, project risks and the financial viability of projects

Final Exam

Due: **See Exam Timetable**
Weighting: **60%**

The content of the "closed book" final exam will give greater weight to topics covered later in the course (that is, topics not covered by the class test). Total time available will be 120 minutes plus 10 minutes of 'reading' time. Students will be permitted one '*Reference Sheet'* in the examination room comprising ONE A4 page of paper containing reference material printed on both sides. The material may be handwritten and/or typed. The page will not be returned to students at the end of the final examination. No separate formula sheet will be provided.

Students who are unable to attend the exam and who have a Disruption to Studies application approved, will be granted the opportunity to sit a Supplementary Exam.

In addition, make sure to read the current Final Examination Policy and Final Examination Procedure.

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Delivery and Resources

CLASSES

The Unit involves 3 hours face-to-face teaching per week consisting of a 3 hour seminar. There will be thirteen lectures. The timetable for classes can be found on the University website at:

http://www.timetables.mq.edu.au/

Attendance at seminars is a compulsory component of the Unit, and students are expected to attend all classes.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Prescribed

Ross, Westerfield, Jaffe and Jordan. Corporate Finance, 11th Edition, McGraw Hill Irwin. ISBN: 9780077861759

The prescribed text can be purchased from the Macquarie University Co-op Bookshop.

AFIN808-iLearn:

The unit Website is only available to students enrolled in AFIN808. Students will be able to access the unit web page by the use of their normal university user/password details. Please contact the IT Help Desk if you have any difficulties accessing the unit web page:

Phone:(02)9850HELP(4357) Option1 or Freecall:1800063191

FacetoFace: ITHelpDesk, C5C244

24/7Email:help@mq.edu.au

The Website will contain important unit materials, including:

- Course details — An outline of the unit, including assessment tasks
- Announcements—notices updating students on important matters regarding the unit.
- Assignment
- Suggested answers and solutions to homework questions
- Results — for assignment and other assessable material.

LEARNING AND TEACHING ACTIVITIES

This is meant to be a 2nd unit in corporate finance. Most students will have completed an introductory financial management / corporate finance unit. As a more advanced unit, some of the topics covered will be familiar to students but we will be covering them at a more in - depth level. Some other topics will be completely new. As in the introductory unit, students need to work through the quantitative and other problems which are selected each week from the text. However, an important objective of this unit is to make the student aware of the limitations of financial theory and of the assumptions made in making finance and investment decisions.

TECHNOLOGY USED AND REQUIRED

The Text book provides access to various on-line resources. Further, a number of the class exercises are designed to be completed using excel. Students are encouraged to use excel when attempting these exercises.

CHANGES TO THE UNIT SINCE LAST SEMESTER

There are no major changes to the topics or text.

Unit Schedule

Week	Topics	Ross et al. Chapters
1	TOPIC 1 - Overview of corporate finance and valuation	1, 4, 5
2	TOPIC 2 - Project evaluation and project risk analysis	6, 7 (not sec. 7.3)
3	TOPIC 3 - Alternative theories on risk and return	11,12
4	TOPIC 4 - Capital structure and limits to use of debt	16, 17
5	TOPIC 5 - Valuation and capital budgeting for levered firm	18
6	TOPIC 6 Raising capital and dividend policy	19, 20
7	**IN-CLASS TEST (Week 7)** TOPIC 7 - Private equity and corporate restructuring	29.13, BMA* 32
	MID-SEMESTER BREAK (16th SEPT to 2nd OCT)	
8	TOPIC 8 - Convertible bonds & warrants and lease finance	21, 24
9	TOPIC 9 - Corporate finance applications of options - I	22
10	TOPIC 10 - Corporate finance applications of options - II	23 and JP Ch. 22**
11	TOPIC 11 - Mergers, acquisitions and divestitures	29
12	TOPIC 12 - Project & infrastructure financing	Reading on the iLearn
13	Revision	

* BMA Ch. 32 - Brealey, Myers and Allen (2014), Principles of Corporate Finance, 11e, McGraw-Hill Irwin.

**JP Ch. 22 – Jonathan Berk, Peter DeMarzo (2013), Corporate finance, 3e, Pearson Global Edition.

C - questions prefixed by 'C' refer to the concept questions at the end of the chapter

Policies and Procedures

Macquarie University policies and procedures are accessible from Policy Central. Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy http://mq.edu.au/policy/docs/academic_honesty/policy.html

Assessment Policy http://mq.edu.au/policy/docs/assessment/policy_2016.html

Grade Appeal Policy http://mq.edu.au/policy/docs/gradeappeal/policy.html

Complaint Management Procedure for Students and Members of the Public http://www.mq.edu.au/policy/docs/complaint_management/procedure.html

Disruption to Studies Policy (in effect until Dec 4th, 2017): http://www.mq.edu.au/policy/docs/disruption_studies/policy.html

Special Consideration Policy (in effect from Dec 4th, 2017): https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policies/special-consideration

In addition, a number of other policies can be found in the Learning and Teaching Category of Policy Central.

Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: https://students.mq.edu.au/support/student_conduct/

Results

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in eStudent. For more information visit ask.mq.edu.au.

Supplementary Exams

Information regarding supplementary exams, including dates, is available at:

http://www.businessandeconomics.mq.edu.au/current_students/undergraduate/how_do_i/disruption_to_studies

Student Support

Macquarie University provides a range of support services for students. For details, visit http://students.mq.edu.au/support/

Learning Skills

Learning Skills (mq.edu.au/learningskills) provides academic writing resources and study strategies to improve your marks and take control of your study.

- Workshops
- StudyWise
- Academic Integrity Module for Students
- Ask a Learning Adviser

Student Services and Support

Students with a disability are encouraged to contact the Disability Service who can provide appropriate help with any issues that arise during their studies.

Student Enquiries

For all student enquiries, visit Student Connect at ask.mq.edu.au

IT Help

For help with University computer systems and technology, visit http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/.

When using the University's IT, you must adhere to the Acceptable Use of IT Resources Policy. The policy applies to all who connect to the MQ network including students.

Graduate Capabilities

PG - Discipline Knowledge and Skills

Our postgraduates will be able to demonstrate a significantly enhanced depth and breadth of knowledge, scholarly understanding, and specific subject content knowledge in their chosen fields.

This graduate capability is supported by:

Learning outcomes

- To apply investment and financing concepts to business decisions
- To evaluate cost of capital, project risks and the financial viability of projects
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- To apply options methodology to value business opportunities and firms.
- To apply teamwork skills to attain effective and professional group outcomes

Assessment tasks

- Assessed Coursework
- Presentation

- Class Test
- Final Exam

PG - Critical, Analytical and Integrative Thinking

Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

Learning outcomes

- To apply investment and financing concepts to business decisions
- To evaluate cost of capital, project risks and the financial viability of projects
- To evaluate the effect of capital structure on value of firms and projects.
- To apply options methodology to value business opportunities and firms.
- To apply teamwork skills to attain effective and professional group outcomes

Assessment tasks

- Assessed Coursework
- Presentation
- Class Test
- Final Exam

PG - Effective Communication

Our postgraduates will be able to communicate effectively and convey their views to different social, cultural, and professional audiences. They will be able to use a variety of technologically supported media to communicate with empathy using a range of written, spoken or visual formats.

This graduate capability is supported by:

Learning outcome

- To apply teamwork skills to attain effective and professional group outcomes

Assessment task

- Presentation

Research and Practice

Research and Practice

- This unit uses research from external sources (references)
- This unit gives you practice in applying research findings in your assessments.

There is a close relationship between theory and practice in corporate finance. Every day the media is filled with events relevant to corporate finance. Students should constantly be looking for examples of the theory from a topic, as reflected in a media story.